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BOOK REVIEWS AND NOTICES

Railroad Valuation. By HOMER B. VANDERBLUE. (Hart, Schaffner & Marx Prize Essay.) Boston: Houghton Mifflin Co., 1917. Crown 8vo, pp. 222. \$1.50.

This volume is an analysis of the principles and practice of the valuation of railroad properties for the purpose of rate regulation. The first part of the book is devoted to reproduction cost as a measure of fair value, the second to original cost, and there is a final chapter on the rate of return.

The analysis of the principles of valuation for rate-making is the most complete, most closely reasoned, and altogether the best general exposition of the subject extant. The author's views, however, do not differ materially from those which appear to be held by economists generally; namely, that the reasonably necessary investment less depreciation measures equitable value, and that allowance for strategic value, going value, and unearned increment should be allowed in the rate of return. The theoretical discussion in the book consists primarily in the superior exposition of existing doctrine rather than in the contribution of new theories.

The most important contribution of the work is its criticism of the practices of valuation. The author exposes exhaustively and ruthlessly the inaccuracies inherent in valuation data and the additional inaccuracies caused by the carelessness and lack of thoroughness which have characterized appraisals. The author also exposes mercilessly the *expert* fetish, the unreliability and the total lack of foundation which so frequently characterizes the opinions admitted as the "judgment" of "experts."

Since a certain amount of inaccuracy is inevitable in appraisals, it is desirable that this be thoroughly appreciated in order that the appraisal figures shall be accepted only as estimates rather than as absolutely accurate determinations. The author, however, radically overestimates the importance of the inevitable inaccuracy. He regards attempts to make a cost appraisal and reproduction cost appraisal of a railroad as fruitless (pp. 136 and 138). The fact that in both cases resort to estimates is necessary does not render the resulting figures useless for rate-

making purposes. The author fails to take into account the fact that the accuracy of appraisals can be greatly increased by more careful methods of investigation. It is not necessary to rely upon the purely gratuitous opinions of experts based on "judgment" rather than on careful investigation. And granting that substantial inaccuracy is inevitable, the appraisal figures are still far from useless, for it is always possible to err on the side of conservatism, and figures which err in their liberality to the utilities are certainly far better than no figures at all. Only it is important to remember always that the figures are estimates.

In advocating the allowance for strategic value, going value, and unearned increment in the rate of return the author transfers the discussion of some of the most difficult and unsettled problems of valuation from the field of the determination of the rate base to the field of the determination of the rate of return. As this work is primarily a discussion of the problem of determining the rate base, the discussion of these problems in the chapter on the rate of return consists simply of a survey of some of the factors involved in the solution of the problems; it does not attempt to indicate the principles governing their solution.

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Economic Moralism. An Essay in Constructive Economics. By JAMES HALDANE SMITH. New York: Macmillan, 1917. 8vo, pp. 288.

"Economic moralism" is the author's name for a new brand of socialism, which is fearlessly and frankly utopian. In his preface Mr. Smith criticizes the "fatalistic" socialists for the easy-going policy of relegating fundamental difficulties to the category of details to be worked out in the light of experience, and so shirking the task of formulating a definite ideal. Though this position is well taken, it can hardly be said that the author is entirely guiltless of the same offense. The basis of the new system is laid in Spencerian ethics, and if Mr. Smith's reasoning from the principle of maximum liberty to the immorality of private property and of rent, interest, and profit is not entirely invulnerable to criticism, it is at least much better than Spencer's own deduction of the opposite conclusion from the same premises.

The most important features of the "ideal, based on absolute ethics," after the public ownership of productive wealth and private property in